



DATE: Sept 15, 2011

In Re: REQUEST FOR INFORMATION
Enterprise/FHA REO Asset Disposition – Dated August 10, 2011

TYPE of STRATEGY: Outright Purchase by Individual Investors

TYPE OF RESPONDENT: Real Estate Investors Association

SECTION A: - ORGANIZATION INFORMATION

NAME: Two Rivers REIA (Real Estate Investors Association) of Central Iowa

CONTACTS: Andrew Lietzow, MBA, CRS, GRI – Executive Director (Licensed to Sell Real Estate in the State of Iowa – w/CENTURY 21 Signature Real Estate)

(Steering Committee Members include:

James Alan Smidt – President TRREIA.

Owner – Real Estate Innovations Solutions, LLC

Roberta McAfee – Owner – McAfee Realty and McAfee Property Management

Ken Tharp – Owner – Iowa Equity Exchange (1031 Qualified Intermediary Company)

Craig Campbell – Investor)

WEBSITE: www.TwoRiversREIA.org

EMAIL: info@TwoRiversREIA.org or Andrew.Lietzow@Gmail.com

PHONE: 515-710-1955

ADDRESS: Two Rivers REIA

2641 86th St

Urbandale IA 50322-4309

SIZE of ORGANIZATION: Approximately 75 active members

YEARS IN BUSINESS: 5 years next month (Oct 2006 – Oct 2011)

TYPE of ENTITY: An association of Real Estate Investors

Entity is a for-profit LLC, run like a not-for-profit.

SECTION B: - APPROACH

Various recommendations from members follow:

1. **Extend the moratorium on “seasoning” requirements** of prior ownership prior to new loan origination. Rehab'bers can purchase, rehab/renovate properties rather quickly yet any seasoning requirements thwart the ability of investors, contractors, and home owners to make a purchase and then resell that property.
2. **Revise the Garn - St. Germain Act of 1982 to allow Contract for Deed Sales** without triggering a Due on Sale Clause. It is the opinion of the Executive Director and perhaps some of our members, that this Act has done more to undermine the values of our housing stock in the inner cities of the US than any other legislation in the past 30 years. While it is important to protect the interests of Lenders and after market investors, there has got to be a better way which would allow resale to those who would otherwise not be qualified to make a purchase. And, people with a vested interest in property take better care of the properties than tenants, thus contributing dramatically to the plight of our inner cities since the enactment of this Act.

While the RFI seems to lean toward encouraging an increase in the ratio of tenants to property owners, many of our members do not feel this will help to stabilize inner city neighborhoods where a real lack of pride of home ownership is pervasive. ***And where there is a lack of pride of ownership, housing values go down, adversely impacting every owner and potentially, every lien holder on those properties!***

Tighten the controls on credit worthiness of the contract purchaser, insist that a 3 to 6 month reserve for PITI payments be held in a trust account for the benefit of the parties when the property is sold on a contract), etc., yet unless the borrower (investor who is now reselling on a contract) was not properly qualified in the first place to purchase the property now being sold on a “Contract for Deed”, the owner should be allowed to resell in any legal method. One payment could be released from this reserve for every year of timely payments, or similar.

Was there some abuse? Yes, yet the new Safe Act should provide adequate regulation to limit abuse (limiting the number of Seller-financed transactions to four per year, unless closed by someone with a LO license).

Controls do need to be put in place, at the federal, state and local level (perhaps requiring the seller to obtain the same type of occupancy permit or rental certificate which would be required, were the new (purchaser) resident a tenant), as well as more financial controls that assure the lender a Borrower/Seller isn't just bailing out of their responsibilities as a borrower.

1. ***Limit the interest rate override*** Seller's can charge ***on underlying borrowed money*** of the 1st mortgage/deed of trust lien holder to .5%. This must be documented to the 1st mortgage lien holder or the sale would be a violation of the Due on Sale clause.
2. ***Purchaser(s) must take and pass a financial management course*** – similar to that which is required for those filing a petitions for bankruptcy.
3. ***Require completion of a home maintenance training course*** (16 hours?). This would be in the form of “licensing” with requirements for CEU's every year (4 hours?), for Contract Purchasers, regarding home maintenance. Included would be education about Lead-Based Paint, fire safety, basic mechanical component maintenance, with special emphasis on the importance roof and gutter systems (to eliminate mold!)
3. **Combine the auction sites of all three GSE's into one site, like the HUDHomeStore.com**
4. **Add a 10% downpayment option to FHA financing, for investors, like the Homesteps Program.**
5. **Standardize the Short Sale financial package for submission to a format similar to the HUD-1 form.** The original HUD-1 form worked marvelously to eliminate fraud and deception, and the latest form is a huge improvement. Were a standardized procedure put in place (like “Equator”, but with a more human oversight and interaction) the glut of REO properties could be reduced.
6. **Allow Investors who purchase Short Sale properties to earn up to \$5,000 on a quick resale** which occurs at closing (of escrow), even if they do not take title to the property – without disclosure to Lenders. (Any income over \$5,000 requires disclosure of the subsequent sale or assignment fee to Lenders, if sold without taking title). *The settlement agent must withhold at*

least 25% of the investor's net proceeds for future federal taxes (paid immediately to the US Treasury).

7. **We are NOT in favor of creating more low-income housing complexes with specialized tax deductions for investors and subsidies for tenants, e.g. Section 42 or Section 8 housing.** Our inner city housing stock crumbles through neglect of investment – in time and resources from owner-occupants, as well as from individual investors. Adding more and more apartment complexes completely eliminates the potential opportunity to teach home-ownership skills, and responsibilities, to the residents of that housing stock. Proper maintenance contributes to the overall economic strength of a city, and neglect to its demise.

Only the “rich” can afford to rent for their entire adult life. The rest of us typically do benefit more from home-ownership than from renting (with an exception for those who are disabled). Of course, not everyone can manage ownership responsibilities, yet GSE's need to continue to promote home-ownership, while limiting the number of subsidized housing complexes and tax preferences or subsidies to mega-corporate ownership programs.

8. **Encourage localities to implement a “vacant house licensing ordinance”**, similar to the requirement to have a rental certificate. Properties which remain vacant for longer than one year should be subject to a requirement that the owners obtain a “Vacant House License” which requires the owner to prove that they are not contributing to the demise of values in the neighborhood where the housing stock is located. This applies to individuals, banks, GSE's – everyone – and pertains to properly maintaining the exterior of the property.
9. **We discourage co-mingling of GSE or direct government ownership, management, or special interests in real estate beyond what is currently in place.** No, or certainly few, new programs should be necessary. Relaxing some of the restrictions, like seasoning and down payment requirements (though tight credit policies serve a useful purpose!), while adding other restrictions, as outlined above, will go a long way toward quickly disposing of the REO's.
10. **Relax SEC advertising restrictions when RE Investors are seeking to attract private investors who will ultimately hold 1st-Mortgage liens.** While there remains significant need

for consumer protection from fraudulent operators, Ponzi schemes, and all manner of unscrupulous, enterprising sales people, investments in Real Estate secured by a 1st mortgage could have regulations decreased, including a reduction in the requirements net worth to be an accredited investors. Even the requirements for pooling of private equity funds, when ultimately to be secured by 1st mortgage liens against real estate, could be relaxed to allow educated people to have greater opportunities to invest in real estate. Certainly, some level of training should be equivalent to the sole requirement for “accreditation” being one's personal net worth or annual income, particularly when it pertains to real estate investments secured by a 1st mortgage.

SECTION C: - ECONOMICS, RISK and FINANCIAL ARRANGEMENTS

1. **Pricing Methodology** – Offering all GSE REO's at each website. HUD-owned properties appear on the HomeSteps website, etc. OR ... one website is created to feature ALL GSE REO's. Use a bidding system, like what HUD uses. Consider showing the amounts bid, making the bidding process resemble an eBay auction, where the amount bid is displayed, creating a buying frenzy toward the end of the auction period. (This is adverse to Buyers, but PRO-GSE. You asked how to make more money, right?)
2. **Financing Requirements** – Investor loans – require a minimum of 10% down, but thorough review of the rehab loan docs is in order. See FHA 203(K) plan for a model.
3. 4, 5, 6, 7 No Comment. Lender and free market regulated?

SECTION D: Qualifications and Experience?

1. SF property Valuation. Follow the HUD model.

SECTION E: DISCUSS OUR ORGANIZATIONS ABILITY TO EXECUTE

1. We have a wide variety of members – from investor wannabees, to people who own 10's of single family rental, to owners of hundreds of apartment units.
2. We have a significant percentage of investors who purchase REO's to buy, fix and hold or buy, fix and resell. A number of our REALTOR members sell these REO properties to both owner-occupants, and to investors.

And the NUMBER ONE simple thing for GSE's that will cut financial losses on Single Family REO's in Iowa? Keep the electricity on and make sure every house with a basement has a dehumidifier running 24/7!

Mold is costing REO owners (GSE's, stakeholders, stockholders and taxpayers) millions to billions of dollars. Many houses sell for \$10-50K+ less because of mold issues, and the rate of sale is slowed dramatically. **Spend \$250 on a dehumidifier and a few hundred on electricity bills, to save \$10-50K plus? Seems like a very simple thing to implement through the M&M process.**

Thank you for the opportunity to submit this information.